

ORIGINAL



Keaton Development Company, Inc.

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Salome, AZ 85348
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28A

Arizona Corporation Commission
DOCKETED

NOV - 8 2004

05 November 2004

Arizona Corporation Commission
Docket Control/Utilities Division
1200 West Washington Street
Phoenix, AZ 85007

DOCKETED BY	CAC
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Re: Docket No. W-02169A-04-0363
Staff Report For Keaton Development Company Application For Financing Authorization
ADDENDUM to Response to Recommendation

Please find enclosed the addendum to the Keaton Development Company response (dated 04 November 2004) to the Financial Section Analysis of our application for financing authorization.


The addendum consists of three documents.

The Plan of Reorganization of Keaton Development Company, Inc., Dated July 23, 2003
(to be inserted into Schedule 1)

Schedule 2 – Keaton Development Company Balance Sheet 6/30/04 And Impact of \$40,000
(to be inserted before the three-page Balance Sheet As of June 30, 04)

Schedule 3 – Assumptions For August 1, 2004 To December 31, 2004 Projections of Income and Expenses (to be inserted before the two-page Income and Expense Projections for August 1, 2004 Through December 31, 2004)

Respectfully,


William S. Scott, President
Keaton Development Company, Inc.

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7 *Attorney for Keaton Development Company, Inc.*

8 **IN THE UNITED STATES BANKRUPTCY COURT**
9 **IN AND FOR THE DISTRICT OF ARIZONA**

10 In Re:

Chapter 11.

11 KEATON DEVELOPMENT COMPANY,
12 INC., an Arizona corporation,

Case No. 03-00949-YUM-JMM

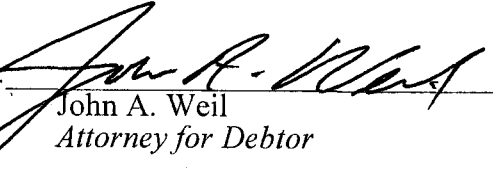
Debtor.

13 **PLAN OF REORGANIZATION**
14 **OF**
15 **KEATON DEVELOPMENT COMPANY, INC.,**
16 **DATED**
17 **JULY 23, 2003**

18 DATED this 23rd day of July, 2003.

19 **WEIL & WEIL, PLLC**

20 By:

21 
22 John A. Weil
23 Attorney for Debtor

24 **Approved:**

25 **KEATON DEVELOPMENT COMPANY, INC.**

26 By:

27 
28 William Scott, President

1 John A. Weil, Bar No. 005621
2 **WEIL & WEIL, PLLC**
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7 *Attorney for Keaton Development Company, Inc.*

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10 **IN THE UNITED STATES BANKRUPTCY COURT**
11 **IN AND FOR THE DISTRICT OF ARIZONA**

12 In Re:

13 KEATON DEVELOPMENT COMPANY,
14 INC., an Arizona corporation,

15 Debtor.

Chapter 11

Case No. 03-00949-YUM-JMM

16
17 **PLAN OF REORGANIZATION**
18 **OF**
19 **KEATON DEVELOPMENT COMPANY, INC.,**
20 **DATED**
21 **JULY 23, 2003**

22 DATED this 23rd day of July, 2003.

23 **WEIL & WEIL, PLLC**

24 By: /s/ John A. Weil

25 John A. Weil
26 *Attorney for Debtor*

27 **Approved:**

28 **KEATON DEVELOPMENT COMPANY, INC.**

By: /s/ William Scott
William Scott, President

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1 7. Bankruptcy Rules means the rules of procedure in bankruptcy cases applicable to
2 cases pending before the Bankruptcy Court, as amended.

3 8. Claim means any legal or equitable right to payment against the Debtor in existence
4 on or as of the petition date whether or not such right to payment is reduced to judgment, liquidated,
5 unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, secured or
6 unsecured.

7 9. Confirmation Date means the date upon which the court enters its confirmation order.

8 10. Confirmation Order means the order confirming the Plan pursuant to Section 1129
9 of the Bankruptcy Code.

10 11. Contested means a claim against the Debtor that is listed in the Debtor's schedules
11 as disputed and/or a claim against the Debtor as to which an objection has been filed with the
12 Bankruptcy Court.

13 12. Contingent means a claim that has not occurred and which is dependent upon a future
14 event that may never occur.

15 13. Debtor means Keaton Development Company, Inc., an Arizona corporation.

16 14. Disputed Claim means a claim against the Debtor listed by the Debtor as "disputed"
17 or to which an objection is filed.

18 15. Distribution means the cash required by the Plan to be distributed to the holders of
19 Allowed Claims.

20 16. Distribution Date means the date of the distribution of funds as provided under the
21 Plan.

22 17. Effective Date means the date following sixty (60) days after entry of the
23 confirmation order.

24 18. Final Order means an order of the Bankruptcy Court or the District Court as to which
25 (a) any appeal that has been taken has been finally determined or dismissed, or (b) the relevant time
26 for appeal has expired and a notice of appeal has not been timely filed.

27 19. Petition Date means the date that the Voluntary Petition was filed June 23, 2003.

28 20. Plan means this Plan of Reorganization as amended in accordance with the terms

hereof or modified in accordance with Section 1127 of the Bankruptcy Code.

21. Plan Rate of Interest means 5.25% simple annual rate of interest.

22. Priority Claim means any claim to the extent entitled to priority under Section 507(a) of the Bankruptcy Code other than an Administrative Claim.

23. Pro Rata means the proportion by which a particular creditor's claim bears to the sum of all Allowed Claims in the same class.

24. Reorganized Debtor means Keaton Development Company, Inc., reorganized pursuant to this Plan of Reorganization.

ARTICLE III

SECTION ONE - CLASSIFICATION OF CLAIMS AND INTEREST

The Debtor herein classifies all claims so that the Plan of Reorganization shall provide that all allowed claims and allowed interests shall be classified as follows:

A. Non-Classified Claims - Administrative Claims.

The holders of claims entitled to priority under Section 507(1) of the Bankruptcy Code, including entities entitled to payment pursuant to Section 503 of the Bankruptcy Code, and professionals employed by the Debtor, prior to or after entry of the confirmation order shall receive cash in the amount of such claims within six months after the Effective Date.

John A. Weil, WEIL & WEIL, PLLC, 1600 S. Fourth Avenue, Suite C, Yuma, Arizona 85364, was employed by the Debtor-in-Possession pursuant to the Order for Employment of Attorney entered by the Bankruptcy Court on July 2, 2003, to represent the Debtor in this case, to assist the Debtor in the conduct of the Debtor's financial affairs, to prepare the petition, statement of affairs and schedules, to formulate a plan of reorganization, to prepare a disclosure statement, to investigate and resolve claims, and to generally assist the Debtor in all of their duties required of them under the Bankruptcy Code.

John A. Weil has received an initial retainer of \$15,000 which funds are held in a client trust account.

As of the date of the filing of the Disclosure Statement, John A. Weil has incurred attorney's

1 fees and costs in the approximate amount of \$5,000.00. It is anticipated that additional attorney
2 time of \$20,000.00 will be required in order to assist the Debtor in obtaining approval of the
3 Disclosure Statement, resolve objections to the Disclosure Statement and Plan of Reorganization,
4 adjudicate disputed claims and otherwise assist the Debtor in the confirmation and consummation
5 of the Plan of Reorganization with total fees at \$25,000.00.

6 At this time the Debtor anticipates that, in addition to the \$15,000.00 retainer, John A. Weil
7 will be owed attorney's fees in the amount of \$10,000.00

8 The Plan of Reorganization provides that this Non-Classified Administrative Claim will be
9 paid by the Reorganized Debtor from the retainer and post-confirmation income. Under the Plan of
10 Reorganization, the Debtor shall be authorized to pay all fees and costs due WEIL & WEIL, PLLC,
11 without further application, notice, or hearing.

12 **B. Priority Claims.**

13 The Priority Claims shall include those claims entitled to priority under Section 507(a) of the
14 Bankruptcy Code.

15 1. Class B-1 - Allowed Wage Claims. Class B-1 consists of all allowed wage
16 claims which are for wages, salaries, commissions, including vacation pay, severance and sick leave
17 pay of the kind and the amounts specified under Section 507(a)(3) of the Bankruptcy Code. The
18 Debtor has the following Priority Wage Claim. The Debtor is not aware of any Priority Wage
19 Claims.

20 2. Class B-2 - Unsecured Priority Tax Claims. Class B-2 consists of all allowed
21 Unsecured Priority Tax Claims of a governmental unit of the kind specified in Section 507(a)(8) of
22 the Bankruptcy Code.

23 a. Arizona Department of Revenue. The Debtor is not aware of any
24 amounts due the Arizona Department of Revenue.

25 b. Internal Revenue Service. The Debtor is not aware of any amounts
26 due the Internal Revenue Service.

27 3. Class B-3 - Contributions to Employee Benefit Plans. Class B-3 consists of
28 all allowed unsecured priority claims for contributions to employee benefit plans for services

1 rendered within 180 days immediately preceding the filing of the Petition in this case pursuant to 11
2 U.S.C. § 507(a)(4). The Debtor is not aware of any Priority Claims for contributions to employee
3 benefit plans.

4 **C. Class C - Secured Claims.**

5 Class C shall consist of all Secured Claims against the Debtor and shall include only those
6 creditors holding a valid, properly perfected and enforceable security interest in assets of the Debtor.
7 All secured claims are classified as Class C - Secured Claims.

8 1. Class C-1 - Water Infrastructure Finance Authority of Arizona. The Class C-1
9 secured claim shall consist of the claim of the Water Infrastructure Finance Authority of Arizona
10 ("WIFA") under the Loan Agreement between the Debtor and WIFA, dated June 1, 1999.

11 The original principal balance of the loan was \$51,455.00 and on the petition date there was
12 due and owing to WIFA a principal balance of \$44,071.18. The WIFA loan is secured against a Debt
13 Service Reserve Fund and a Replacement Reserve Fund, pursuant to the terms a Continuing Security
14 Agreement and a Cash Collateral Agreement. The Debt Service Reserve Fund is valued at
15 approximately \$4,350.00 and the Replacement Reserve Fund is valued at \$3,400.00. The Debtor is
16 required to make contributions to the Debt Reserve Fund in the amount of \$72.60 per month and to
17 the Replacement Reserve Fund in the amount of \$72.60 per month.

18 The secured claim of WIFA shall be paid in accordance with the terms of the Loan
19 Agreement dated June 1, 1999, and the monthly payments required under the Loan Agreement shall
20 be made as part of the Debtor's operating expenses.

21 WIFA shall retain its security interest in the Debt Service Reserve Fund and Replacement
22 Reserve Fund.

23 All terms and provisions of the Loan Agreement dated June 1, 1999, are incorporated as
24 terms of the Plan and WIFA shall be paid in full (100%) in accordance with the Loan Agreement.

25 The claim of WIFA is unimpaired.

26 2. Class C-2 - La Paz County. The Class C-2 claim shall consist of the secured
27 claim of La Paz County in the amount of \$29,644.62 for accrued and unpaid personal property taxes.
28 Pursuant to Arizona law, the Class C-2 claim is secured against the Debtor's personal property.

1 The secured claim of La Paz County shall be paid in full (100%) with interest at the Plan Rate
2 of Interest over the term of the Plan in equal annual installments with the first installment due and
3 payable on the first anniversary date after the effective date.

4 The secured claim of La Paz County is impaired.

5 **D. Class D-1 - KRC Unsecured Claim.**

6 On April 14, 1998, the Debtor entered into a Refund and Plant Expansion Agreement for
7 Developer and Company Installed Facilities with KRC Company, Inc.

8 KRC agreed to properly construct a water utility plant and related facilities to include three
9 water wells, pumps, tanks, motors, electrical control panels, water lines, valves, and fire hydrants.

10 KRC further agreed to advance for construction of additional water plant facilities
11 \$12,000.00 on the Debtor obtaining 110 connections and \$12,000.00 on 175 connections.

12 KRC advanced the first \$12,000.00 on 110 connections, The Debtor has over 175
13 connections and has installed two additional pumps. However, KRC has refused to advance the
14 second \$12,000.00.

15 Also, the water utility plant facilities constructed by KRC are defective. Specifically, Well
16 No. 3 is defective. Well No. 3 produces only a fraction of the water it is required to produce to
17 accommodate the terms of the contract. In addition, the pumping system is not capable of providing
18 sufficient volume or pressure. KRC has refused to repair the system. The cost of repairing Well No.
19 3 and the pumping system will exceed \$60,000.00.

20 Partly because of the problems with the system, the Debtor was unable to make payments to
21 KRC for annual refunds.

22 On April 22, 2002, KRC filed a lawsuit against the Debtor in La Paz County Superior Court,
23 Case No. 20020051, seeking to recover alleged unpaid refunds in the amount of \$21,784.78.

24 The Debtor has filed a counterclaim for damages for the cost of repairing Well No. 3 and its
25 pump.

26 This litigation was pending in La Paz County Superior Court on the Petition Date.

27 Under the Plan, the Debtor will reject the Refund and Plant Expansion Agreement with KRC.

28 KRC's claim for rejection damages will be paid on a pro rata basis with General Unsecured

1 Claims.

2 **E. Class D-2 - General Unsecured Claims.**

3 All of the claims against the Debtor not expressly and specifically classified as
4 administrative, priority, or a secured claim above shall be treated as a Class D-2 General Unsecured
5 Claim.

6 The Class D-2 General Unsecured Claims shall include claims of all types, of any character
7 and nature, contingent, non-contingent, liquidated, unliquidated, disputed, or undisputed.

8 Class D-2 General Unsecured Claims shall include claims whether known or unknown by
9 the Debtor.

10 **F. Equity Interest Holders.**

11 Class E Equity Security Holders shall consist of the claim of the stockholder of the
12 corporation William Scott who shall retain ownership of his outstanding stock and equity interest
13 in the Debtor, unaltered and unchanged by the provisions of this Plan.

14
15 **ARTICLE IV**

16 **TREATMENT OF CLAIMS**

17 All claims, including those specifically identified and classified above against the Debtor
18 shall be treated, settled, satisfied, discharged, and resolved in accordance with the following
19 provisions:

20 **A. Non-Classified Claims - Administrative Claims.**

21 The holders of claims entitled to priority under Section 507(1) of the Bankruptcy Code,
22 including entities entitled to payment pursuant to Section 503 of the Bankruptcy Code, and
23 professionals employed by the Debtor, prior to or after entry of the confirmation order shall receive
24 cash in the amount of such claims within six months after the Effective Date.

25 John A. Weil, WEIL & WEIL, PLLC, 1600 S. Fourth Avenue, Suite C, Yuma, Arizona 85364,
26 was employed by the Debtor-in-Possession pursuant to the Order for Employment of Attorney
27 entered by the Bankruptcy Court on July 3, 2003, to represent the Debtor in this case, to assist the
28 Debtor in the conduct of the Debtor's financial affairs, to prepare the petition, statement of affairs

1 and schedules, to formulate a plan of reorganization, to prepare a disclosure statement, to investigate
2 and resolve claims, and to generally assist the Debtor in all of their duties required of them under the
3 Bankruptcy Code.

4 John A. Weil has received a retainer in the total amount of \$15,000.00 which is held in a
5 client trust account.

6 As of the date of the filing of the Disclosure Statement, John A. Weil has incurred attorney's
7 fees and costs in the amount of \$5,000.00. It is anticipated that additional attorney time of
8 \$20,000.00 will be required in order to assist the Debtor in obtaining approval of the Disclosure
9 Statement, resolve objections to the Disclosure Statement and Plan of Reorganization, adjudicate
10 disputed claims and otherwise assist the Debtor in the confirmation and consummation of the Plan
11 of Reorganization.

12 At this time the Debtor anticipates that, in addition to the \$15,000.00 retainer, John A. Weil
13 will be owed attorney's fees in the amount of \$10,000.00

14 The Plan of Reorganization provides that this Non-Classified Administrative Claim will be
15 paid by the Reorganized Debtor from the retainer and post-confirmation income without further
16 notice or order of the Bankruptcy Court.

17 **B. Priority Claims.**

18 The Priority Claims shall include those claims entitled to priority under Section 507(a) of the
19 Bankruptcy Code.

20 1. Class B-1 - Allowed Wage Claims. Class B-1 consists of all allowed wage
21 claims which are for wages, salaries, commissions, including vacation pay, severance and sick leave
22 pay of the kind and the amounts specified under Section 507(a)(3) of the Bankruptcy Code. The
23 Debtor has the following Priority Wage Claim. The Debtor is not aware of any Priority Wage
24 Claims.

25 2. Class B-2 - Unsecured Priority Tax Claims. Class B-2 consists of all allowed
26 Unsecured Priority Tax Claims of a governmental unit of the kind specified in Section 507(a)(8) of
27 the Bankruptcy Code.

28 a. Arizona Department of Revenue. The Debtor is not aware of any

1 amounts due the Arizona Department of Revenue.

2 b. Internal Revenue Service. The Debtor is not aware of any amounts
3 due the Internal Revenue Service.

4 3. Class B-3 - Contributions to Employee Benefit Plans. Class B-3 consists of
5 all allowed unsecured priority claims for contributions to employee benefit plans for services
6 rendered within 180 days immediately preceding the filing of the Petition in this case pursuant to 11
7 U.S.C. § 507(a)(4). The Debtor is not aware of any Priority Claims for contributions to employee
8 benefit plans.

9 **C. Class C - Secured Claims.**

10 Class C shall consist of all Secured Claims against the Debtor and shall include only those
11 creditors holding a valid, properly perfected and enforceable security interest in assets of the Debtor.
12 All secured claims are classified as Class C - Secured Claims.

13 1. Class C-1 - Water Infrastructure Finance Authority of Arizona. The Class C-1
14 secured claim shall consist of the claim of the Water Infrastructure Finance Authority of Arizona
15 ("WIFA") under the Loan Agreement between the Debtor and WIFA, dated June 1, 1999.

16 The secured claim of WIFA shall be paid in accordance with the terms of the Loan
17 Agreement dated June 1, 1999, and the monthly payments required under the Loan Agreement shall
18 be made as part of the Debtor's operating expenses.

19 WIFA shall retain its security interest in the Debt Service Reserve Fund and Replacement
20 Reserve Fund.

21 All terms and provisions of the Loan Agreement dated June 1, 1999, are incorporated as
22 terms of the Plan and WIFA shall be paid in full (100%) in accordance with the Loan Agreement.

23 The claim of WIFA is unimpaired.

24 2. Class C-2 - La Paz County. The Class C-2 claim shall consist of the secured
25 claim of La Paz County in the amount of \$29,644.62 for accrued and unpaid personal property taxes.
26 Pursuant to Arizona law, the Class C-2 claim is secured against the Debtor's personal property.

27 The secured claim of La Paz County shall be paid in full (100%) with interest at the Plan rate
28 over the term of the Plan in equal annual installments with the first installment due and payable on

1 the first anniversary date after the effective date.

2 The secured claim of La Paz County is impaired.

3 **D. Class D-1 - KRC Unsecured Claim.**

4 On April 14, 1998, the Debtor entered into a Refund and Plant Expansion Agreement for
5 Developer and Company Installed Facilities with KRC Company, Inc.

6 KRC agreed to properly construct a water utility plant and related facilities to include three
7 (3) water wells, pumps, tanks, motors, electrical control panels, water lines, valves, and fire hydrants.

8 KRC further agreed to advance for construction of additional water plant facilities
9 \$12,000.00 on the Debtor obtaining 110 connections and \$12,000.00 on 175 connections.

10 KRC advanced the first \$12,000.00 on 110 connections, The Debtor has over 175
11 connections and has installed two additional pumps. However, KRC has refused to advance the
12 second \$12,000.00.

13 Also, the water utility plant facilities constructed by KRC are defective. Specifically, Well
14 No. 3 is defective. Well No. 3 produces only a fraction of the water it is required to produce to
15 accommodate the terms of the contract. In addition, the pumping system is not capable of providing
16 sufficient volume or pressure. KRC has refused to repair the system. The cost of repairing Well No.
17 3 and the pumping system will exceed \$60,000.00.

18 Partly because of the problems with the system, the Debtor was unable to make payments to
19 KRC for annual refunds.

20 On April 22, 2002, KRC filed a lawsuit against the Debtor in La Paz County Superior Court,
21 Case No. 20020051, seeking to recover alleged unpaid refunds in the amount of \$21,784.78.

22 The Debtor has filed a counterclaim for damages for the cost of repairing Well No. 3 and its
23 pump.

24 This litigation was pending in La Paz County Superior Court on the Petition Date.

25 Under the Plan, the Debtor will reject the Refund and Plant Expansion Agreement with KRC.

26 KRC's claim for rejection damages will be paid on a pro rata basis with General Unsecured
27 Claims.

E. Class D-2 - General Unsecured Claims.

All of the claims against the Debtor not expressly and specifically classified above shall be treated as a Class D-2 General Unsecured Claim.

The Class D-2 General Unsecured Claims shall include claims of all types, of any character and nature, contingent, non-contingent, liquidated, unliquidated, disputed, or undisputed.

Class D-2 General Unsecured Claims shall include claims whether known or unknown by the Debtor.

F. Payment of Class D-1 and D-2 Unsecured Claims.

The Debtor shall contribute the sum of \$80,000.00 for payment of Class D-1 and Class D-2 Unsecured Claims.

Payments will commence on the first anniversary of the Effective Date and continue over the term of the Plan. Class D-1 and Class D-2 Unsecured Claims are impaired.

G. Equity Interest Holders.

Class E Equity Security Holders shall consist of the claim of the stockholder of the corporation William Scott who shall retain ownership of his outstanding stock and equity interest in the Debtor, unaltered and unchanged by the provisions of this Plan.

ARTICLE V

GENERAL PROVISIONS RELATING TO THE TREATMENT OF ALL CLAIMS

A. Penalties and Other Charges.

No portion of an Allowed Claim shall include, and no distribution shall be made, on account of, any fine, penalty, exemplary or punitive damages, late charges, or other monetary charge relating to or arising from any default or breach by the Debtor. An objection shall be deemed to have been filed by the Debtor to any claim for such an amount.

B. Controlling Effect.

The provisions of this Plan shall modify and supersede any terms of any contract, promissory note, deed of trust, security agreements, and other documents relating to any Allowed Claim, except

1 any settlement agreement entered into by the Debtor-in-Possession and approved by the Bankruptcy
2 Court, which settlement agreements shall be deemed a part of this Plan of Reorganization. The
3 Debtor shall not be deemed to have assumed any obligation specified in any promissory note, deed
4 of trust, security agreement, or other document relating to Allowed Claims except as specifically
5 provided by the Plan.

6 **C. Prepayment of Claims.**

7 The Debtor reserves the right to prepay any class of claims in full at any time without
8 prepayment penalties.

9 **D. Satisfaction of Claims and Interests.**

10 Creditors of the estate shall receive the distributions set forth in the Plan on account of and
11 in complete satisfaction of Allowed Claims. Upon the Effective Date, each creditor shall be deemed
12 to have assigned to the Debtor and waived, relinquished and released any and all of their rights and
13 claims against the Debtor other than as provided for in the Plan or confirmation order.

14
15 **ARTICLE VI**

16 **MEANS FOR IMPLEMENTATION OF THE PLAN**

17 **A. Post-Confirmation Management.**

18 The Reorganized Debtor shall continue to be managed by its President William Scott.

19 **B. Source of Plan Funds.**

20 The source of the Plan funds shall be the earnings of the Reorganized Debtor under the Plan
21 of Reorganization. The Debtor shall continue to conduct its business in the same manner as it has
22 been conducted post petition.

23 **C. Disputed Claims.**

24 If a distribution is required to be made under the Plan to the holder of a claim that is a
25 Disputed Claim, any distribution shall be retained in the post-confirmation account until all
26 objections and disputes relating to the claim have been resolved by a final order of the Bankruptcy
27 Court.

1 **D. Post-Confirmation Employment of Professionals.**

2 After the Effective Date, the Debtor shall have the right to employ professionals, including
3 attorneys, accountants and other advisors free of any restrictions imposed by the Bankruptcy Code
4 or Rules. Fees and costs may be paid for services rendered after the Effective Date from the post-
5 confirmation bank account and solely upon the Debtor's approval without the necessity of notice to
6 creditors or bankruptcy court approval.

7 **E. Retention and Enforcement of Claims.**

8 Pursuant to Code Section 1123(b)(3), the Reorganized Debtor shall retain and may enforce
9 any and all claims held by the Debtor, known or unknown, and whether or not specifically identified
10 in the Disclosure Statement or Plan.

11
12 **ARTICLE VII**

13 **VESTING OF PROPERTY**

14 Confirmation of the Plan shall vest the property of the estate in the Debtor.

15
16 **ARTICLE VIII**

17 **CLAIMS ADJUDICATION**

18 As of the date of the Plan, there exist disputed, contested and contingent claims. The
19 provisions of the Plan are based on the assumption that claims listed by the Debtor as disputed,
20 contested or contingent are not valid and will not be paid under the terms of the Plan. In addition,
21 the Debtor reserve the right to review all claims and to make objection to any claim subsequently
22 determined to be invalid. The Debtor further reserves the right to contest the validity or extent of any
23 claimed lien, encumbrance or security interest in property of the estate. Thus, the claims
24 adjudication process may result in an increase or decrease in the amount of Allowed Claims. In the
25 event the amount of any class of claims is increased, said increase shall be paid as part of the final
26 distribution. Notwithstanding any other provision of the Plan, no payments or distribution shall be
27 made in respect to all or any portion of a contested claim unless and until all objections to such
28 contested claim have been determined by final order.

1 **ARTICLE IX**

2 **TERM**

3 The term of this Plan shall be for a period of seven (7) years beginning on the Effective Date
4 and ending on the seventh anniversary thereof.

5
6 **ARTICLE X**

7 **EXECUTORY CONTRACT AND UNEXPIRED LEASES**

8 The Debtor has one executory contract which consists of the Refund and Plant Expansion
9 Agreement for Developer and Company Installed Facilities between the Debtor and KRC Company,
10 Inc., an Arizona corporation, dated May 6, 1998. Pursuant to the terms of the Plan, the Debtor
11 **REJECTS** the KRC Company, Inc., agreement.

12
13 **ARTICLE XI**

14 **PROVISIONS WHICH MAY MODIFY THE RIGHTS OF ALL CLAIMANTS**

15 Upon the entry of the confirmation order, the Plan shall bind the Debtor, all creditors and any
16 entity acquiring or being distributed property under the Plan whether their claims are impaired under
17 the Plan or whether or not they have accepted the Plan. Except as provided by this Plan, the
18 confirmation order shall permanently bar the filing and/or asserting of any claims against the Debtor
19 which arose or relates to the period of time prior to the petition date.

20
21 **ARTICLE XII**

22 **PRE-CONFIRMATION MODIFICATION**

23 The Debtor reserves the right to revoke or withdraw the Plan prior to entry of confirmation
24 order. If the Debtor revokes or withdraws the Plan, or if confirmation of the Plan does not occur,
25 then the Plan shall be deemed null and void and nothing contained herein shall be deemed to
26 constitute a waiver or release of any claims by or against the Debtor or any other person or to
27 prejudice in any manner the rights of the Debtor or any person in any further proceeding involving
28 the Debtor.

1 The Debtor further reserves the right to file modifications of the Plan at any time before
2 confirmation provided that the Plan is modified and meets the requirements of Sections 1122 and
3 1123 of the Bankruptcy Code and the Debtor shall have complied with Sections 1125 of the
4 Bankruptcy Code.

6 ARTICLE XIII

7 POST-CONFIRMATION MODIFICATION

8 The Debtor reserves the right to seek modification of the Plan at any time after confirmation
9 and before substantial consummation; provided that the Plan as modified meets the requirements of
10 Sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and hearing,
11 confirms the Plan as modified under Section 1129 of the Bankruptcy Code. A holder of a claim that
12 has accepted or rejected the Plan shall be deemed to have accepted or rejected, as the case may be,
13 such Plan as modified, unless within the time fixed by the Bankruptcy Court, such holder changes
14 its previous acceptance or rejection.

16 ARTICLE XIV

17 FINAL ACCOUNTING

18 Upon consummation of the Plan, the Debtor shall provide a final accounting to the
19 Bankruptcy Court pursuant to Section 1106(a)(7) of the Bankruptcy Code and shall make application
20 to close the case under Section 350 of the Bankruptcy Code.

22 ARTICLE XV

23 RETENTION OF JURISDICTION

24 The Bankruptcy Court shall retain jurisdiction conferred by 28 U.S.C. Section 157 and 28
25 U.S.C. Section 1334 for any necessary purpose including but without limitation, the following: (1)
26 to set aside liens or encumbrances or to recover any preferences, transfers, assets or damages to
27 which the estate may be entitled under applicable provisions of the Bankruptcy Code or other federal,
28 state or local law; (2) to hear and determine all claims arising from the rejection of any executory

1 contract, including leases, and to consummate the rejection of executory contracts hereunder; (3) to
2 liquidate damages in connection with the disputed, contingent or unliquidated claims; (4) to
3 adjudicate' all controversies concerning the classification or allowance of any claim or interest; (5)
4 to resolve any disputes regarding the interpretation of the Plan; (6) to implement the provisions of
5 this Plan and to make such orders as will aid the consummation of the Plan; (7) to determine any and
6 all applications for allowance of compensation and reimbursement of expenses; (8) to adjudicate
7 controversies regarding property which constitutes property of the Debtor's estate and regarding the
8 ownership thereof, including the adjudication of causes of action which constitute property of the
9 estate; (9) to modify this Plan pursuant to Section 1141 of the Bankruptcy Court; (10) to enter an
10 order closing the case; and (11) to approve the sale of any estate property outside the ordinary course
11 of business.

12 13 **ARTICLE XVI**

14 **POST-CONFIRMATION REPORTS AND U.S. TRUSTEE FEES**

15 The Reorganized Debtor and Creditors' Trustee shall be responsible for the timely payment
16 of fees incurred pursuant to 28 U.S.C. Section 1930(a)(6)(as amended in 1996) to the United States
17 Trustee. After confirmation, the Reorganized Debtor shall serve on the United States Trustee a
18 financial report for each quarter (or a portion thereof), that the case remains open. The quarterly
19 financial report shall include the following:

20 A. A statement of all disbursements made during the course of the quarter, whether or
21 not pursuant to the Plan;

22 B. A summary, by class, of amounts distributed or property transferred to each receipt
23 under the Plan and an explanation of the failure to make any distributions or transfers of property
24 under the Plan;

25 C. Debtor's projections as to its continuing ability to comply with the terms of the Plan;

26 D. A description of any other factors which may materially affect the Debtor's ability
27 to consummate the Plan; and

28 E. An estimated date when an application for final decree will be filed with the court (in

1 the case of the final quarterly report, the date the decree was lodged or requested).

2
3 **ARTICLE XVII**

4 **RESERVATION OF ALL CLAIMS**

5 Under the Plan, the Debtor shall retain all claims of all types, character, and nature against
6 every person or entity, which claim existed on the petition date. Without limiting the full scope of
7 the preceding sentence, the Debtor expressly retains all claims against KRC Company, Inc.

8
9 **ARTICLE XVIII**

10 **NEW VALUE CONTRIBUTION**

11 Within one hundred eighty (180) days after the Effective Date, the Debtor's President Bill
12 Scott will contribute twenty-five thousand dollars (\$25,000) cash to the corporation as a New Value
13 Contribution for purposes of acquiring a standby generator, the well and plant improvements, and
14 operating capital described in the Disclosure Statement.

15
16 DATED this 23rd day of July, 2003.

WEIL & WEIL, PLLC

17
18 By: /s/ John A. Weil
19 John A. Weil
20 Attorney for Keaton Development
21 Company, Inc.
22
23
24
25
26
27
28

File a Plan:

0-03-00949-JMM KEATON DEVELOPMENT COMPANY, INC.

Notice of Electronic Filing

The following transaction was received from WEIL, JOHN A. entered on 7/28/2003 at 2:57 PM AZ and filed on 7/28/2003

Case Name: KEATON DEVELOPMENT COMPANY, INC.

Case Number: 0-03-00949-JMM

Document Number: 8

Docket Text:

Chapter 11 Plan of *Reorganization* filed by JOHN A. WEIL of WEIL & WEIL, PLLC on behalf of KEATON DEVELOPMENT COMPANY, INC..(WEIL, JOHN)

The following document(s) are associated with this transaction:

Document description:Main Document

Original filename:C:/WPDOCS/BK Clients/Keaton Development/Pleadings/Plan of Reorganization_5-20-03.pdf

Electronic document Stamp:

[STAMP bkecfStamp_ID=875559564 [Date=7/28/2003] [FileNumber=2148603-0]

[7d951dc68eac6ee0a6430358ad8b8671b326cbc52ddae3457102436d2963df0f50cd

7115432c4f6c25ec35837bf52281a865b745b85ce824cea42343959a28a1]]

SCHEDULE 2
KEATON DEVELOPMENT COMPANY
BALANCE SHEET 6/30/04 AND IMPACT OF \$40,000

	ACTUAL 06/30/04	IMPACT OF LOAN	AFTER LOAN FUNDED
ASSETS			
CURRENT ASSETS			
CASH	\$18,759.87		\$18,759.87
ACCOUNTS RECEIVABLE	\$9,437.34		\$9,437.34
TOTAL CURRENT ASSETS	\$28,197.21		\$28,197.21
LONG TERM ASSETS			
FIXED ASSETS	\$532,884.42		\$532,884.42
ACCUMULATED	\$267,725.85		\$267,725.85
TOTAL FIXED ASSETS	\$265,158.57		\$265,158.57
DEPOSITS	\$3,920.40		\$3,920.40
ENGINEERING FEES TO BE PART OF FIXED ASSET CONST.	\$0.00	\$40,000.00	\$40,000.00
TOTAL LONG TERM ASSETS	\$269,078.97		\$309,078.97
TOTAL ASSETS	\$297,276.18		\$337,276.18
LIABILITIES			
CURRENT LIABILITIES			
ACCOUNTS PAYABLE	\$19,670.02		\$19,670.02
SHORT TERM LOAN	\$7,000.00		\$7,000.00
ACCRUALS	\$3,087.93		\$3,087.93
CMLTD	\$2,340.00	\$2,115.30	\$4,455.30
CMLTD - BANKRUPTCY	\$9,201.60		\$9,201.60
TOTAL CURRENT LIABILITIES	\$41,299.55		\$43,414.85
LONG TERM LIABILITES			
LONG TERM DEBT	\$39,773.66	\$37,884.70	\$77,658.36
LONG TERM DEBT - BANKRUPTCY	\$97,084.06		\$97,084.06
TOTAL LONG TERM DEBT	\$136,857.72		\$174,742.42
TOTAL LIABILITIES	\$178,157.27		\$218,157.27
NET WORTH	\$119,118.91		\$119,118.91
TOTAL LIABILITIES AND NET WORTH	\$297,276.18		\$337,276.18

KEATON DEVELOPMENT, INC.

SCHEDULE 3

ASSUMPTIONS FOR AUGUST 1, 2004 TO DECEMBER 31, 2004 PROJECTIONS OF INCOME AND EXPENSES

Water income is based on the recent billings and the annual increase in billings during the winter visitor season. Although there may be some random hook ups, we are not projecting any for this period as the three major projects in this area will not come on line until January of 2005.

Sales Tax collections are based on the current sales tax rate of 6.0%.

Legal Fees are placed as zero for the period being projected. The company made a \$15,000 deposit when it filed Chapter 11. The plan is filed and approved and there is still in excess of \$3,000 in the account. The next legal action will not be until first quarter next year. At that time the Keaton Development, Inc. (Keaton) will file for the Final Decree. The \$3,000 is more than adequate to cover that cost. No other nonbankruptcy actions are anticipated.

Contracted Professionals expense is based on anticipated costs to complete the issues related to the financing of this project with the Arizona Corporation Commission and W.I.F.A.

Rent Auto & Equipment expenses based on the costs from 2003 and year to date. Although there is not a plan for the rental of either auto or equipment, for the sake of conservatism, the projected amount is being budgeted.

Meter Reading expense is based on the agreements currently in place.

Contracted Maintenance expense is based on 2003 and year to date results as a percentage of sales.

Payroll expense is based on current wages of the existing office staff.

Officer Salary expense is based on the current amount of \$1,500 that is being paid to the owner. This is within the Bankruptcy Plan and can be forfeited to support operations by the owner if needed.

Utilities (Electric) expense is based on 2003 and year to date usage.

Utilities (Water) expense is based on current water rates.

Chemicals expense is based on 2003 and year to date usage.

Materials & Supplies expense is based on 2003 and year to date results as a percentage of sales.

Office & Supplies expense is based on 2003 and year to date results as a percentage of sales.

Annual Sampling Fee expense is based on the existing agreement for date and cost.

Rent Office & Yard expense is based on the current rental agreement that covers the projected period.

Transportation expense is based on 2003 and year to date results as a percentage of sales.

Insurance expense is based on current policies and payment structure. The insurance agent does not expect an increase in the next policy period.

Regulatory Commission expense is for water testing. This is based on 2003 and year to date expenses.

Miscellaneous expense is based on the 2003 and year to date results as a percentage of sales.

Property Tax expense is based on the latest assessment.

Sales Tax expense is based on 6.0% of Water income.

Interest expense is included in total debt service requirements identified below.

Bad Debt expense is based on the budget amount of \$1,000 per year. Based on the current aging and listing the budgeted amount is more than ample cover any existing problem accounts.

Trustee Fee expense is based on the requirements to pay a quarterly fee to the Bankruptcy Trustee as long as you are still under the plan and a Final Decree has not been issued. The Final Decree will be issued in March. The last Trustee Fee will be expended on February of 2005 and will cover the period up to the Final Decree.

W.I.F.A. payments are based on current terms and conditions.

La Paz County payments on old property taxes are based on the Bankruptcy Plan. Per the plan, payments will be made over a six-year period starting on January 3, 2005.

Unsecured debt repayment is based on the Bankruptcy Plan. Under the plan, Keaton will pay \$80,000 over six years, beginning January 3, 2005.

New W.I.F.A. loan payments are based on a \$40,000 loan with a 20-year amortization and 6%.